BUDGET SPEECH

PROVINCE OF PRINCE EDWARD ISLAND

ADDRESS BY

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MINISTER OF FINANCE

DELIVERED TO

THE LEGISLATIVE ASSEMBLY
OF PRINCE EDWARD ISLAND

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B U D G E T

S P E E C H

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Hon. Lloyd G. Mitchell

MINISTER OF FINANCE

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Madam Speaker:

I shall begin tonight by quoting the final sentences of my budget speech last year. I concluded then as follows:

> *"We should not exaggerate the importance of this year's deficit. In itself it is of no more consequence than last year's surplus. The real inference to be drawn from it is that in coming years the Province will have to gradually make further reductions in its expenditure base and that most of those seeking additional benefits will be disappointed.*
>
> *That is the main message I would leave with you -- that continued and increased restraint in expenditures is vital to the health of the Provincial Government and the provincial economy. Honourable Members know how difficult this is; success can be achieved only with public understanding and with your support."*

I have much the same message tonight. Our economy and that of Canada as a whole saw declines in 1982 which were greater than expected. Every province's finances suffered as a consequence, and there is thus more need for restraint in order to preserve fiscal integrity. On the other hand, 1983 promises to show some improvement, with more substantial recovery coming in 1984. This improvement

should have a double benefit: it will raise government revenues, and it will make restraint of government expenditures easier for the public to bear.

Much of my budget tonight is already known or predictable. During the past several months our government has released and discussed a great deal of information which would normally not have been made public until tonight. Our purpose has been to seek advice, to inform, and above all to begin a process of soliciting support and public understanding of the measures which must be taken. I hope my address tonight will add to that process.

ECONOMIC OUTLOOK AND REVIEW, 1982-83

1982 witnessed the worst economic recession that Canada has endured since the 1930's. There are increasing indications that the bottom of this slump has been reached and most experts seem to feel that a recovery is presently underway. The decline in the Canadian economy has had a severe impact on government revenues right across the nation. Furthermore, the degree and the length of the decline has been consistently underestimated by economic forecasters. In November, 1981, the Federal Government predicted growth of about 2 per cent for 1982, with a recovery in the second half of the year. As late as April of last year, the Conference Board of Canada predicted economic growth for Canada.

Yet the figures that are now accumulating give some idea of just how bad the economic situation was in 1982: -

- By the end of the year, Gross National Product in constant dollars had dropped by about seven and one-half percent from the peak it reached in the second quarter of 1981. Gross National Product in 1982 was below the level of 1978, four years previously.

- Gross Domestic Product of the goods producing industries of Canada fell by 10.2 percent in real terms in 1982.

- Production in the forestry industry in Canada fell by 22.9 per cent.

- Mining was 14 percent below its level of 1981.

- Construction across Canada declined by 12 percent.

Every province suffered serious economic declines in 1982; Quebec by 7.1 percent, British Columbia by 6.6 percent, Newfoundland by 6.0 percent, Ontario 4.6 percent and so on. The Conference Board's estimate of a 3.1% decline in Prince Edward Island almost looks good by comparison. But any decline, no matter how small, is distressing.

It is important that we understand the reasons for the economic collapse of large parts of the Canadian economy in 1982. The underlying problem was rampant and accelerating inflation which was occurring during a difficult period of adjustment to the large increase in oil prices. The Governments of Canada and the United States of

America relied on monetary restraint to cool this inflationary pressure and the effect was one of forcing interest rates up to unprecedented levels, with the results described above. Surely there were less damaging methods of curing this sickness of inflation, which in the last analysis is simply the product of man's desire to seek increasing money incomes, without regard for the value of the product he sells. This situation cannot be allowed to repeat itself.

The impact of these declines has been very serious for business as more and more long established companies have been forced to close their doors. Employment has necessarily suffered from these declines. By the close of 1982, total employment in Canada had fallen by about 580,000 from its peak in August, 1981. That is a drop in the number of employed persons equivalent to about four and one-half times the Island's total population! The unemployment rate on Prince Edward Island went from 11.4 percent in 1981 to 13.1 percent in 1982, an increase of 1.7 percentage points. Compare that to Canada in total, which went from 7.6 percent in 1981 to 11 percent in 1982, an increase of 3.4 percentage points.

Without wishing to dwell on this unhappy subject, I feel it is important that Islanders appreciate what has happened in 1982:-

Firstly, the impact of the recession on Prince Edward Island does not appear to have been so severe as in many other provinces;

Secondly, the depth of the recession in Canada was not foreseen by most forecasters, and certainly not by the federal government;

Thirdly, our province depends on federal monies to a very large degree and the recession in Canada has reduced these revenues. More specifically, the forecast growth of the national economy in 1982 was too optimistic, and thus the forecast of equalization payments, as well as other tax sources, was too high, across the nation.

It is beyond our own limited capabilities to accurately predict economic growth in Canada but I expressed doubts in my Budget of last year over the prevalent viewpoint at that time of an economy recovery in 1982, when I stated that, *"we cannot be optimistic about a general move to stable long term economic growth either nationally or locally."*

Let us look more closely at our local situation.

The construction industry was severely depressed throughout the early part of 1982. Housing construction was more or less at a standstill through to October. The start of the second phase of the D.V.A. headquarters was delayed for the first half of the year, and then early this winter the work on the Convention Centre stopped because of financial problems.

Georgetown Seafoods did not open its doors in 1982 and this hurt Island fish processing. Agriculture was generally depressed throughout the year because of low potato prices, although pork prices increased significantly. Dairy farmers faced penalties for going over quota in 1982. Many farmers still face poor prospects. Tourism also suffered small declines in 1982.

The provincial government basically maintained a policy of "business as usual" in order to alleviate these economic reversals. It is our opinion that without such a policy things would have been very much worse.

Yet, there are now reasons to be more optimistic about the future.

First, look at inflation. Between June and December of last year, the Consumer Price Index for Charlottetown - Summerside increased by only 3 percent. This was the lowest rate of increase in consumer prices on Prince Edward Island

over a six month period, since early 1976. Energy prices seem to have peaked on Prince Edward Island, and international oil prices are tumbling. These factors should increase consumer demand.

Second, interest rates have eased significantly and are likely to fall further. The prime business lending rate is now eleven and one-half percent, the lowest it has been since 1978. Compare this to 22 3/4 percent in mid 1981 and 17 percent throughout much of 1982.

I have long believed and stated that high interest rates were among the most important reasons for our slowing economy and the main deterrent to its recovery. The opportunity for real recovery is definitely here and there are signs that times are improving. Retail trade and construction had already picked up considerably by year end and are continuing to gain.

Looking to the future, there is good reason to think that the economy will continue to improve. The Convention Centre is underway again, and the construction of D.V.A. headquarters will be in full swing. At long last the federal government appears prepared to take action on the Veterinary College. The tourist business should make a comeback in 1983, given fair weather. Even the long awaited modernization of the Charlottetown Airport seems likely to take place.

Furthermore, despite the harsh economic times, incomes have continued to grow on Prince Edward Island by about 12 1/2 percent in 1982. Yet consumers held back from spending because of high interest rates and uncertainty over the economy.

The dominant force for recovery on the Island in 1983 is likely to be consumer spending stimulated by lower interest rates, modest price inflation and increasing confidence. Tourist expenditures are an important component of retailing and other services, and we anticipate a return to more traditional levels of tourist spending which would further strengthen the recovery.

By contrast, the agricultural and processing sectors appear beset by problems related to dairy output, poor potato prices, and the uncertainty created by Canada Packers' pending closure.

I have reservations also about the possibility of a significant decline in the unemployment rate. The Canadian and Prince Edward Island economies are at their pre-1978 levels. Many firms are in a state of severe overcapacity. Even substantial economic improvement may not increase job opportunities materially.

Thus while one can be more optimistic about prospects for some industries, it would be going too far to pretend that all our problems are behind us.

Within the province, there is little we can do to counteract the effects we feel from national and international conditions. What we must do is aim for efficiency, cost-effectiveness and innovation in both the public and private sectors so as to take advantage of opportunities.

FEDERAL PROVINCIAL

Since the conclusion of discussions on the Fiscal Arrangements Act last Spring, Ministers of Finance have met only three times: in June to discuss the federal budget and its proposed restraint program, in December to discuss the economic and fiscal outlook and in March this year to discuss economic and fiscal matters again, prior to the Federal Minister's final preparations for his budget.

The atmosphere of these meetings has been much less tense than those of the preceding year and a significant degree of consensus has emerged on many of the economic and financial issues which were discussed. At our most recent meeting, for example, most Ministers shared a view that the national economy is beginning a slow comeback, that the greatest concern now should be to avoid increased interest rates and renewed inflation, and that further stimulation by governments should not be so intensive as to worsen deficits and thereby increase public uncertainty. There is also, I believe, a clear realization that much of the country's economic problems are of a structural nature, requiring change over the medium term.

Our meetings also touched on Established Programs Financing. Health Ministers and Education Ministers have had meetings with their federal counterparts to deal with terms and conditions of program delivery, and I believe progress has been made. However little was achieved in our meetings; provincial Ministers generally objected to what were then only apprehended federal moves to back away from the existing level of contributions; and Mr. Lalonde has since announced that growth of per capita provincial revenues in respect of what he considers to be the post-secondary education portion of EPF will be reduced from the 8.8% called for in the formula to 6% in the current year, and 5% in the succeeding year.

The loss, which will be roughly equal per capita in all provinces, will be approximately $500,000 for Prince Edward Island this year; for 1984-85, our loss will be double or triple that amount, depending on the strength of the economy; and it remains to be seen what long-term arrangements will prevail in the years following the "6 and 5" program. Clearly, the federal commitment of funds to this program is much reduced, and provinces will have to raise taxes or reduce their spending correspondingly.

THE ACCOUNTS OF THE PROVINCE - 1981-82

Honourable Members have had an opportunity to review the Public Accounts for the year ended March 31, 1982. Consequently, I will address only the more significant points.

The current account surplus of $6,300,402 resulting from revenues of $351,062,014 and expenditures of $344,761,612 was approximately $900,000 less than I had forecast. Revenues were 1.4 million dollars less than forecast, primarily the result of decreased federal revenues, and expenditures were $500,000 less than forecast.

The net capital expenditures of $20,088,981 were approximately $825,000 less than forecast, almost completely offsetting variations in the ordinary account. When one takes into consideration the growth of the sinking fund of $14,633,212, we achieved an overall reduction in net debt of $844,634, somewhat better than my forecast of $686,900. This is the first reduction in net debt in eight years.

1982-83 FORECAST OF REVENUE AND EXPENDITURE

The 1982-83 forecast of revenue and expenditure is much as we have described it publicly, in this House, and in meetings with labour leaders. The $23 million current account deficit anticipated in January had, by the end of March, been reduced to $16.9 million through further adjustments to federal source revenues, improvements in provincial revenues, and the containment of expenditures. Current account revenues are expected to be $374.8 million and current expenditures $391.7 million.

Capital expenditures are expected to total $31.4 million and revenue offset against these costs to be $5.2 million, leaving net capital expenditures at $26.2 million.

After the activities of the sinking fund are taken into account, the increase in Net Debt will be $25.2 million.

This increase in net debt is $10.6 million greater than I budgeted. Those who wish to review the background papers presented tonight will note that there are the usual line-by-line differences between amounts forecast and budgeted. The main differences, however, are these:

- Equalization revenues are $4.4 million less than budget, largely because of the unexpected severity of the national recession;

- Corporation Income Tax is forecast to be $5.2 million less than budget;

- Other revenues from our own sources are $3.4 million better than budgeted, largely because of dramatic improvements in sales tax revenue late in the year; and

- Expenditures for hospital care are $3.8 million over budget, $2.3 million of this for out-of-province care.

This imbalance between expenditures and revenue is tolerable in the short term. It is less, on a per capita basis, than suffered by many other provinces. But we must not begin to accept this situation just because the numbers may be beginning

to sound familiar. A $25.2 million deficit means that last year our provincial government spent $69,000 a day more than it earned. And it means that from now on about $3.5 million will have to be set aside each year to pay interest on that spending.

This is surely a good illustration of why the government must move to a balanced budget as soon as possible even though the process will be painful.

BORROWING

The relatively heavy borrowings of 1981-82, coupled with the unusually good budgetary position for that year, allowed us to enter the 1982-83 fiscal year in a surplus cash position. These balances, augumented by a $25 million public issue in August and Canada Pension Plan borrowings totalling $11,360,000, have met our needs for the year.

The budgetary deficit will continue to be the predominant cash requirement in the coming year, bringing cash requirements to a total of $66.2 million.

I plan to raise $50 million through public debenture issues and $11.5 million from the Canada Pension Plan during 1983-84, allowing the unfunded debt to increase by $4.7 million from the very low levels now existing.

BUDGET FOR 1983-84

By mid-summer of 1982 it was apparent that the Canadian economy was showing less strength than most forecasters had expected, and that our revenues would likely be less than budgeted. More important, projections continued to confirm the need for a permanent reduction of the expenditure base.

In August, Premier Lee met with representatives of labour, business, municipalities, schools and hospitals to discuss the need for restraint and to seek advice and comment from them. Following that, our Government decided not to pursue any formal measures to parallel the federal restraint program until the budget process was sufficiently advanced to give us a clearer picture of the outlook for revenue and expenditures. How sweeping or severe would the measures need to be?

As our examination of departmental budget requirements continued, it showed a large and increasing gap between expenditures and revenue, made worse in January by notice of a further decline in the current level of equalization. The continuation of existing expenditure patterns would result in a current account deficit for 1983-84 more than double that suffered in the year just ended. Clearly, major policy changes would be required, changes which would affect the government, its employees, and the public.

In the short term, a government can readily choose to use its borrowing power to cover a deficit, but taxes must be levied in the future to repay the indebtedness and to pay the interest on it. Future tax revenues which would have provided services and jobs will pay interest instead. And so, the first consideration in deficit financing is how much of the future should be sacrificed to meet the apparent needs of the present.

In the longer term, revenue cannot remain much lower than expenditure. If, as seems presently to be the case in all provinces, the cost of present services is greater than the amounts earned from taxes and other sources, another plain fact emerges: ultimately there must be more taxes, less spending, or both.

This is not an easy choice, for the withdrawal of any service is likely to cause hardship for its beneficiaries or hinder the achievement of some government objective. But the alternative of increased taxation also has disadvantages, which are usually less immediately apparent but longer lasting. I refer of course to the tendency of taxes to inhibit economic activity and development both by taking out of the marketplace money which could be more productively used, and by acting directly as a deterrent to taxable activities.

Let me describe our government's fiscal policy for the coming year.

The 1982 recession has hit revenues hard. Canada's production has slumped to 1978 levels and even a strong recovery will take years to erase the scars. I am optimistic about 1983 and 1984 but not optimistic enough to predict strong revenue growth for the provincial government, reduced unemployment, or less demand for social services. Local business is beginning to improve and consumer demand to strengthen, but not enough to withstand the jolt of increased taxes.

Our policy is therefore to minimize tax increases.

Our policy is to seek further restraint of expenditures, avoiding distress as much as possible, but moving strongly to reduce the level of government services and costs to more sustainable levels. For the pursuit of savings must involve both doing less, and doing it less expensively.

Some of these savings will come through reductions in the level of service provided by government. Many instances of discontinued or diminished programs will become apparent as Ministers describe the activities planned for their departments in the debate which follows, and in consideration of the estimates.

Ultimately, most savings must come from such reductions in service to the public. But a more attractive means of saving would be to reduce costs while maintaining services; what are the prospects for further progress here?

Over the years, program managers have had to make many economies, and I believe the system of global budget allocations adopted by our Government has greatly stimulated the search for more cost effective program delivery. I am sure that continued pressure for restraint will lead to still more innovation by

managers and staff; and, across the board measures such as the hiring freeze and travel expense reductions now in effect will be used when appropriate.

But the key element in the containment of costs must be salaries, for roughly half the Province's expenditures cover salaries or fees paid by the government directly or through agencies it funds. No serious program of restraint could omit measures to limit this type of expenditure.

Given the Government's importance as an employer in the community, we have naturally been reluctant to use layoffs as a means of savings. Some layoffs will be unavoidable as an unfortunate by-product of reduced programs and a search for more efficiency, but our government does not plan to use layoffs as a primary weapon to achieve expenditure restraint.

It was with this intent that we held meetings with labour representatives, hoping through discussion and negotiation to arrive at an early zero and five solution to labour costs. This would have given an immediate boost to a restraint

program, holding down expenses until more long term factors could begin to take effect. The reluctance of employees to agree to rollbacks of contracts already negotiated has delayed the process. Increases incorporated in the 1983-84 contracts for the Public Service Association, Registered Nurses and other hospital employees, Holland College, and the faculty of U. P. E. I. will cost approximately $12.5 million in the coming year. Honouring these multi-year contracts has thus placed a substantial burden on the budget.

As Honourable Members already know, our Government will set up a Compensation Review Board to oversee new settlements. The collective bargaining process will continue during the restraint period, but the Board will have the responsibility of reviewing new agreements being reached within the very broadly defined public sector to ensure that they fall within guidelines to be established. And the Board will have the power to see that new agreements conform to those guidelines.

At the end of the two contract years of restraint, compensation levels should thus be reduced to a lower base from which future bargaining can proceed.

What, specifically, are the measures being adopted for restraint in the year we are now beginning? These can best be described by the Ministers responsible, but I shall outline a few of the measures which are large and noticeable.

- Driver Education is a worthwhile program of great benefit to new drivers, but it is not essential that this training be given through the school system. Accordingly, the Province will stop funding Driver Education at the end of the current school year. This action presents an opportunity for the private sector, which should be able to provide training of equivalent quality at lower cost, while creating self-supporting employment in the process.

- Grants for post secondary education institutions will increase by only 7.6%, a rate of increase which partially reflects the reduced level of federal contributions.

- The Children's Dental Care program will be reduced in scope so as to include children from 4 to 12 years of age, rather than ages 4 to 16.

- Highway paving expenditures will be reduced by almost $11 million from last year's level.

- The Department of Transportation and Public Works will be reorganized to combine what are now separate units for capital and maintenance, thus streamlining the organization and reducing cost.

- The Department of Transportation and Public Works will continue to hire approximately the same number of summer employees, but will retain them for shorter periods of time to achieve savings.

- Throughout government, attempts will be made where feasible to introduce job sharing and other part time employment as a means of reducing costs while minimizing layoffs. This process will be aided by the introduction of a superannuation plan for part time employees, so that former full time employees will not be deprived of a pension plan.

- The formula for setting the interest rate on Provincial Deposit Receipts will be changed so as to reduce the rate by 1%. I believe the new rate structure will still be competitive, and acceptable to our depositors.

Not all our expenditure changes have been reductions. This budget calls for a number of new or expanded programs which our Government considers appropriate in these times. Some of these are as follows:

- The new Riverside Home for Special Care will be begun this year.

- A start will be made on renovating the two vacant hospital buildings in Charlottetown.

- Funds are provided again this year for the Mill River project.

- There will be 76 units of Senior Citizens Housing and 20 units of Family Housing built during the year.

- Funds are being provided for renovations to the Grand Tracadie and Stanhope schools.

- There will be a Fleet Development pilot program to assist near shore and offshore fishing.

Our emphasis on employment development will be continued. Among the programs to be provided there are:

- continuation of the Provincial Wage Subsidy Program, and contributions to the federal NEED program;

- continued co-operation with the Federal Government in providing through Forestry the Program for Developmental Use of Unemployment Insurance;

- continuation of the Health and Social Services Job Creation Program introduced last summer;

- a variety of youth employment programs including a student venture capital program, student agri-crews and student forestry wage subsidy.

I have one revenue measure to announce tonight. There will be an increase in the rate of tax levied on tobacco under the Health Tax Act. Effective at midnight tonight, the tax will be increased by one-half cent per cigarette, with roughly equivalent increases being imposed on other tobacco products. The resulting Health Tax rate of 1.5¢ per cigarette will still be lower than that of most other provinces, many of which tax cigarettes on an ad valorem basis.

Madam Speaker, during the year ending March 31, 1984, government services are expected to require expenditures on current account totalling $415,444,500. I am budgeting for current revenue of $394,641,400, leaving a deficit on current account of $20,803,100.

Capital Expenditures are budgeted at $21,675,400, with related revenues of $2,532,500 leaving net capital expenditures of $19,142,900.

The Sinking Fund is expected to receive $6,974,100 from the contributions budgeted under current expenditures and $14,761,300 from earnings on its investments. The total of $21,735,400 thus provided for the redemption of debt this year will for the first time be greater than capital expenditures made in the year.

The overall budgetary deficit will therefore be $18,210,600.

Madam Speaker, I draw little satisfaction from knowing that this deficit is almost 30% lower than that forecast for the year just ended; the reduction is just one step toward a goal.

This budget incorporates many cost savings achieved through diminished or discontinued programs, through more cost effective administration, and through associated reductions in employment. All contracts are being honoured, and so the salary components of the budget have not yet absorbed their share of the restraint.

I do not believe that the costs associated with this delay warrant offsetting tax increases or layoffs, and have therefore allowed this year's deficit to rise above the target we had previously set for ourselves.

The continuing effects of these higher levels of compensation will also delay our achievement of a balanced current account. Unless the economy improves very rapidly, this cannot be achieved until 1985-86.

Let there be no doubt of our commitment to this goal, or of the need for it. No magic will solve the problems we, and other governments, face. The public must learn to live with fewer services and less support from governments, for the tax burden will otherwise become too high to bear. This is clearly a most difficult period of transition, but it should be seen also as an opportunity, an opportunity for structural changes, greater self-reliance, and long term economic growth.

BUDGET SUMMARY

CONSOLIDATED REVENUE FUND AND SINKING FUND

1982-83 Budget Estimate	1982-83 Forecast		1983-84 Budget Estimate
		Current Account	
$ 380,883,900	$ 374,789,900	Revenue	$ 394,641,400
386,878,700	391,734,800	Expenditure	415,444,500
(5,994,800)	(16,944,900)	Surplus (Deficit)	(20,803,100)
		Net Capital Expenditure	
5,656,000	5,241,000	Revenue	2,532,500
32,664,000	31,441,000	Expenditure	21,675,400
(27,008,000)	(26,200,000)	Net Capital Expenditure	(19,142,900)
		Sinking Fund	
11,874,500	11,345,800	Interest Earned	14,761,300
6,546,600	6,589,400	Contributions from Consolidated Revenue Fund	6,974,100
18,421,100	17,935,200	Increase in Sinking Fund Assets	21,735,400
(14,581,700)	(25,209,700)	TOTAL SURPLUS/(DEFICIT)	(18,210,600)

CURRENT REVENUE

1981-82 Budget Estimate	1981-82 Forecast		1982-83 Budget Estimate
		Provincial Sources	
4,089,300	3,868,900	Licenses and Permits	3,973,400
5,103,500	5,645,300	Fees and Services	5,863,100
11,089,100	10,826,200	Sales	11,654,200
137,393,600	135,756,000	Taxes	148,940,700
22,308,800	22,049,500	Investments	23,092,400
179,984,300	178,145,900		193,523,800
		Government of Canada	
126,100,000	121,713,000	Equalization	124,282,000
18,059,600	18,400,000	Canada Assistance Plan	18,800,000
4,748,000	5,433,000	Canada Employment	5,502,000
13,169,200	10,954,500	Development Plan	7,424,000
30,359,000	30,926,000	Established Programs Financing	34,052,000
4,073,000	4,070,000	Extended Health Care	4,438,000
4,390,800	5,147,500	Other	6,619,600
200,899,600	196,644,000		201,117,600
380,883,900	374,789,900	TOTAL CURRENT REVENUE	394,641,400

EXPENDITURE SUMMARY

1982-83 Budget Estimate	1982-83 Forecast		1983-84 Budget Estimate
		(A) Current	
$ 14,344,300	$ 11,603,100	Agriculture	$ 12,937,800
558,200	570,700	Land Development Corporation	618,600
727,900	727,900	P.E.I. Grain Elevators Corp.	611,400
10,201,300	10,676,300	Community & Cultural Affairs	11,556,400
100,000	96,600	Land Use Commission	92,700
1,638,600	1,497,600	P.E.I. Housing Corporation	1,728,000
5,733,100	5,675,600	General Education	5,681,100
68,734,200	68,512,700	Grants to Regionsl School Units	71,416,800
17,176,000	17,641,000	Post Secondary Education	19,072,100
755,000	755,000	School Construction	-
3,665,500	3,664,100	Vocational Programming	3,480,300
1,200,700	1,428,100	Executive Council	1,375,800
8,530,200	8,764,400	Finance & Tourism	8,118,900
845,400	853,600	P.E.I. Lending Authority	1,046,400
4,710,000	2,980,400	Fisheries & Industry	4,086,100
1,382,000	1,464,400	Market Development Centre	1,268,200
1,996,300	3,227,000	Industrial Enterprises Inc.	3,623,200
61,451,600	60,870,700	Health & Social Services	65,545,100
50,104,200	53,931,300	Hospital Services Commission	59,836,500
15,866,400	16,069,000	Health Services Commission	16,976,600
3,981,700	5,262,100	Energy & Forestry	5,555,300
1,076,900	821,800	P.E.I. Energy Corporation	1,288,700
8,077,800	8,097,000	Justice & Attorney General	8,663,200
5,764,900	7,241,900	Labour	6,494,700
1,200,800	1,298,300	Legislative Assembly	1,085,900
36,911,300	39,232,800	Transportation & Public Works	38,821,400
		Other Current Expenditures	
681,700	646,200	Auditor General	713,400
693,300	679,700	Civil Service Commission	721,500
4,808,800	4,969,200	General Government	5,419,800
400,500	367,600	Treasury Board	408,700
-	224,000	Georgetown Shipyard	-
653,200	722,900	Council of Maritime Premiers	653,200
52,906,900	51,161,800	Debt Charges	56,546,700
386,878,700	391,734,800	TOTAL CURRENT	415,444,500

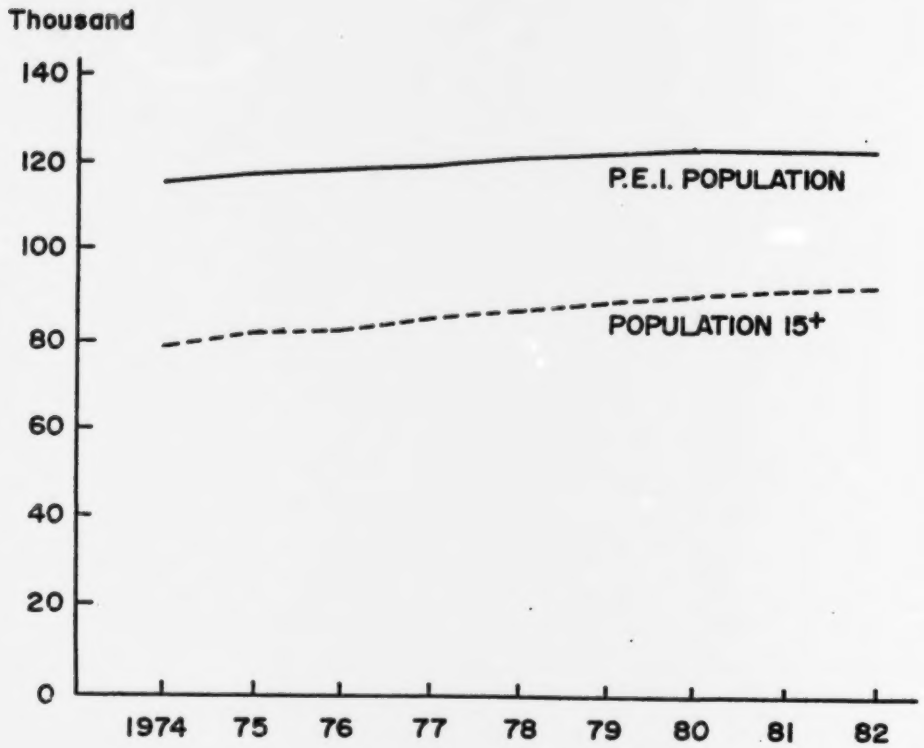
CAPITAL REVENUE AND EXPENDITURE

1982-83 Budget Estimate	1982-83 Forecast		1983-84 Budget Estimate
		REVENUE	
50,000	-	Subdivision Roads	
3,348,000	3,626,500	Development Plan	25,000
1,925,000	1,500,000	Highway Strengthening	235,000
280,000	47,500	U.T.A.P.	1,800,000
53,000	53,000	Parks Canada	366,000
-	-	C.N.R.	-
-	14,000	Miscellaneous	91,500
			15,000
5,656,000	5,241,000	TOTAL CAPITAL REVENUE	2,532,500
		EXPENDITURE	
29,284,000	29,668,000	Highways	16,783,300
2,180,000	1,368,000	Buildings	3,692,100
1,200,000	405,000	Parks	1,200,000
32,664,000	31,411,000	TOTAL CAPITAL EXPENDITURE	21,675,400

Cash Requirements	1982-83 Forecast ($'000)			1983-84 Estimates ($'000)		
Budgetary						
Net Capital Expenditures	$26,200			$19,143		
Plus Current Deficit	16,945	$43,145		20,803	$39,946	
Repayment Alberta Heritage Fund Loan		2,000			2,000	
Repayment on Federal Loan		250			250	
Net Advances to Crown Corporations						
Land Development Corporation	$ 2,800			$ 3,400		
Industrial Enterprises Incorporated	1,600			2,000		
Provincial Lending Authority	1,200			5,500		
Housing Corporation	900	6,500		1,100	12,000	
School Construction		3,500			4,000	
Hospital Construction		2,100			1,300	
Georgetown Shipyards					750	
Veterinary College					2,000	
P.E.I. Energy Corporation - Waste Burner		1,500			4,000	
Renovations - Stewart Memorial Hospital		270	$59,265			$66,246
Cash Sources						
Debenture Issue		$25,000			$50,000	
Canada Pension Plan		11,360	36,360		11,500	61,500
Increase in Unfunded Debt			$22,905			$ 4,746

STATISTICS ON THE P. E. I. ECONOMY

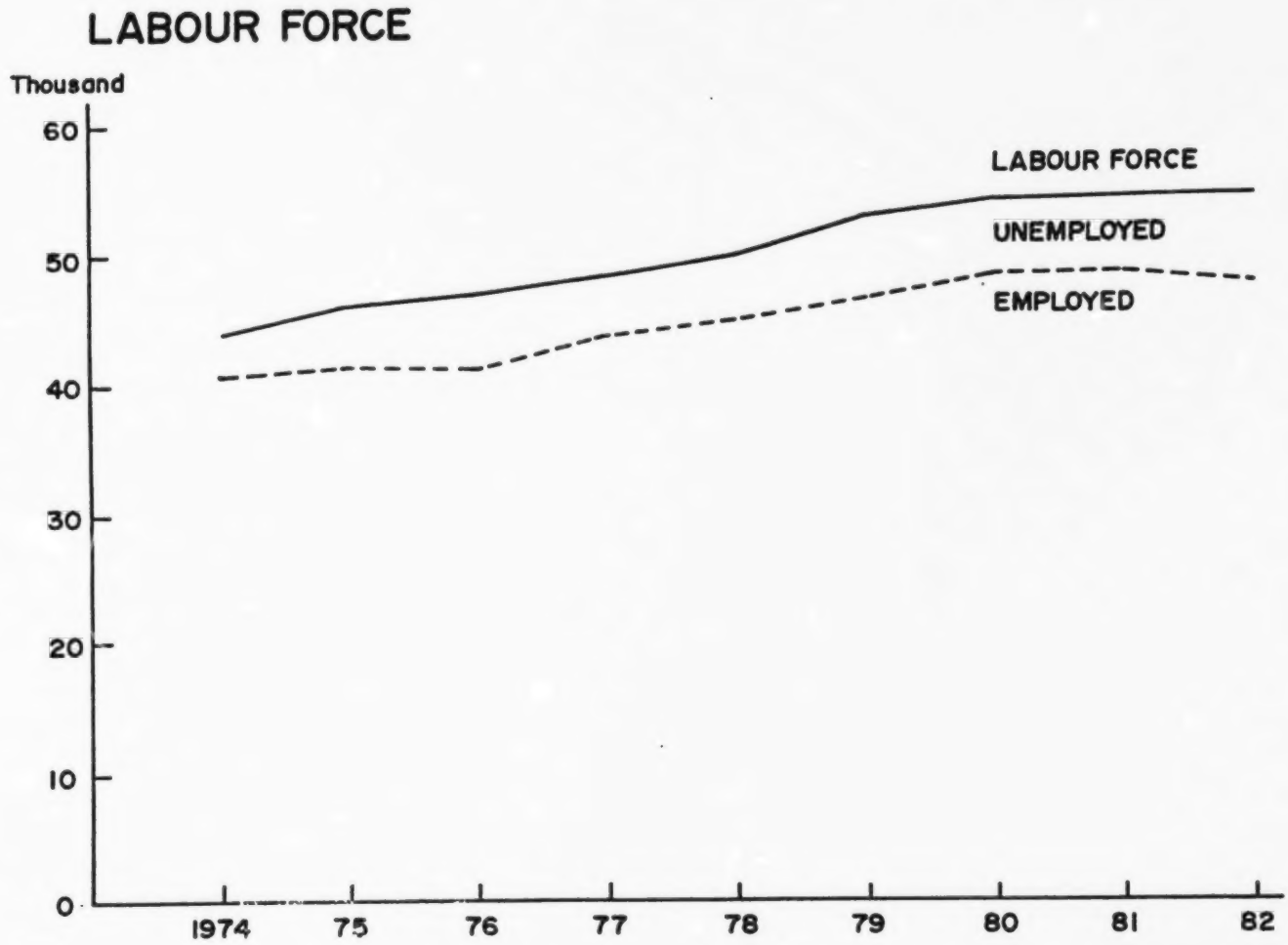
1974 - 1982



1. Population

The P.E.I. population is estimated at 122,800 June 1982. Growth slowed considerably in recent years, primarily because of net outmigration to Western Provinces.

The Population of working age is continuing to expand, though at a decreasing rate; it is estimated at 92,000 in 1982.

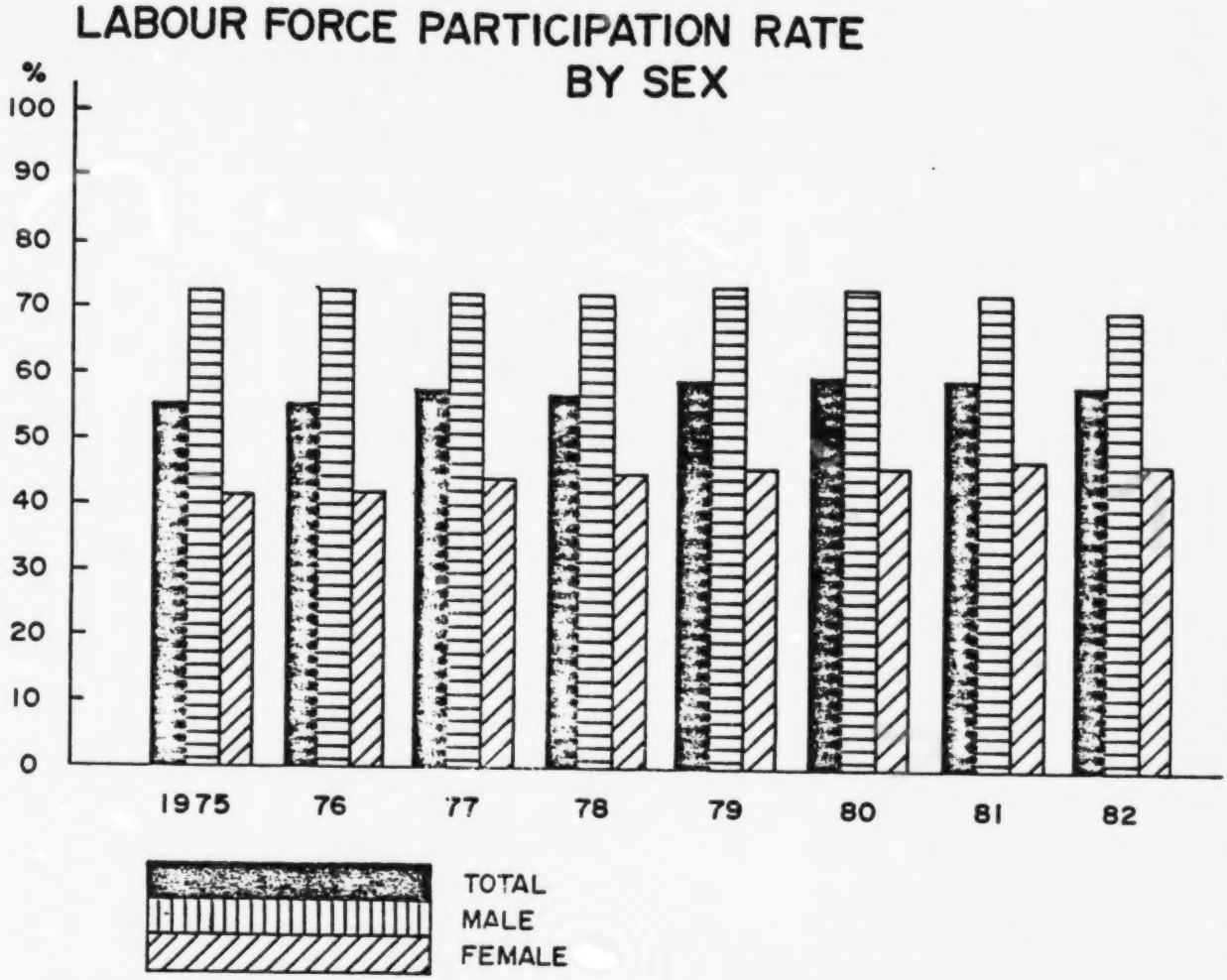


2. Labour Force

The total labour force declined slightly in 1982 in view of the poor employment situation, to average 54,000.

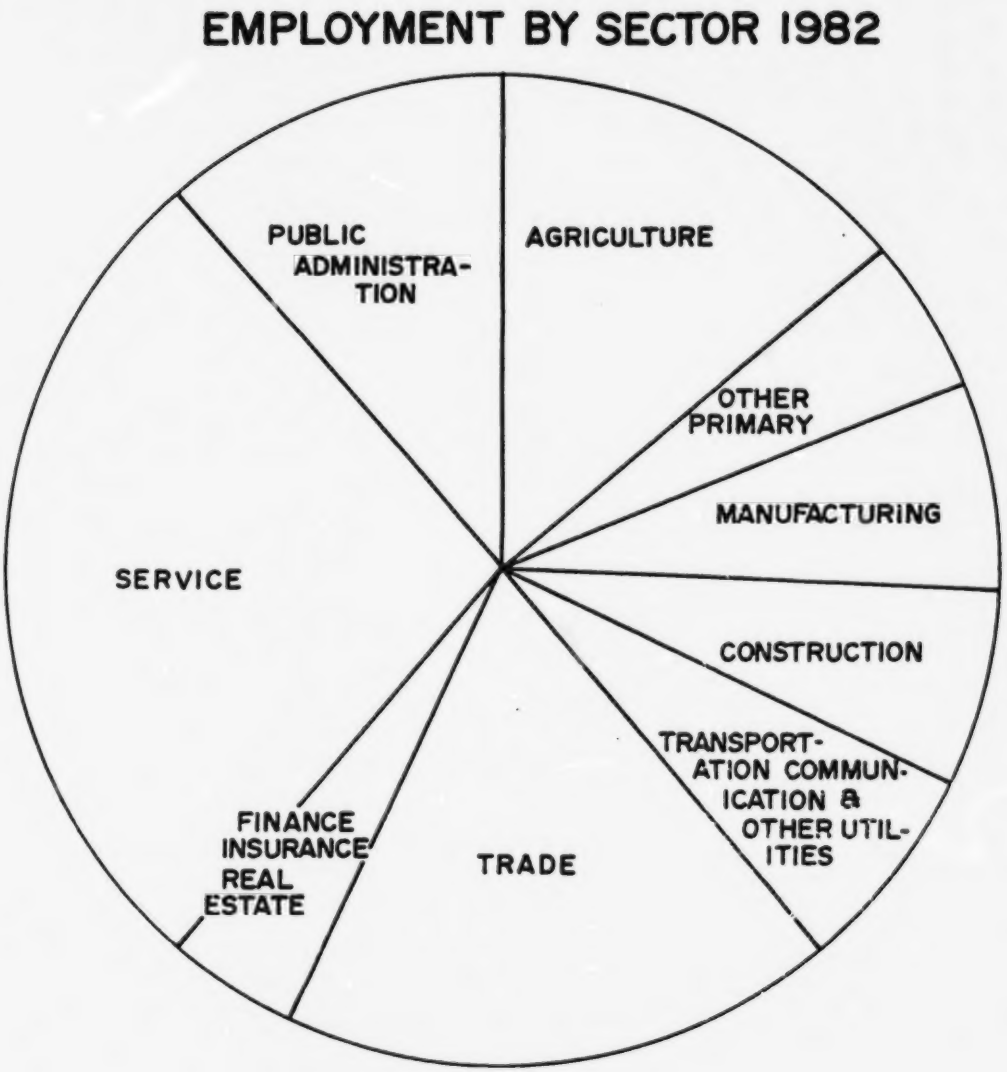
Employment declined to 47,000 from 48,000 in 1981.

The unemployment rate averaged 13.1 per cent in 1982.



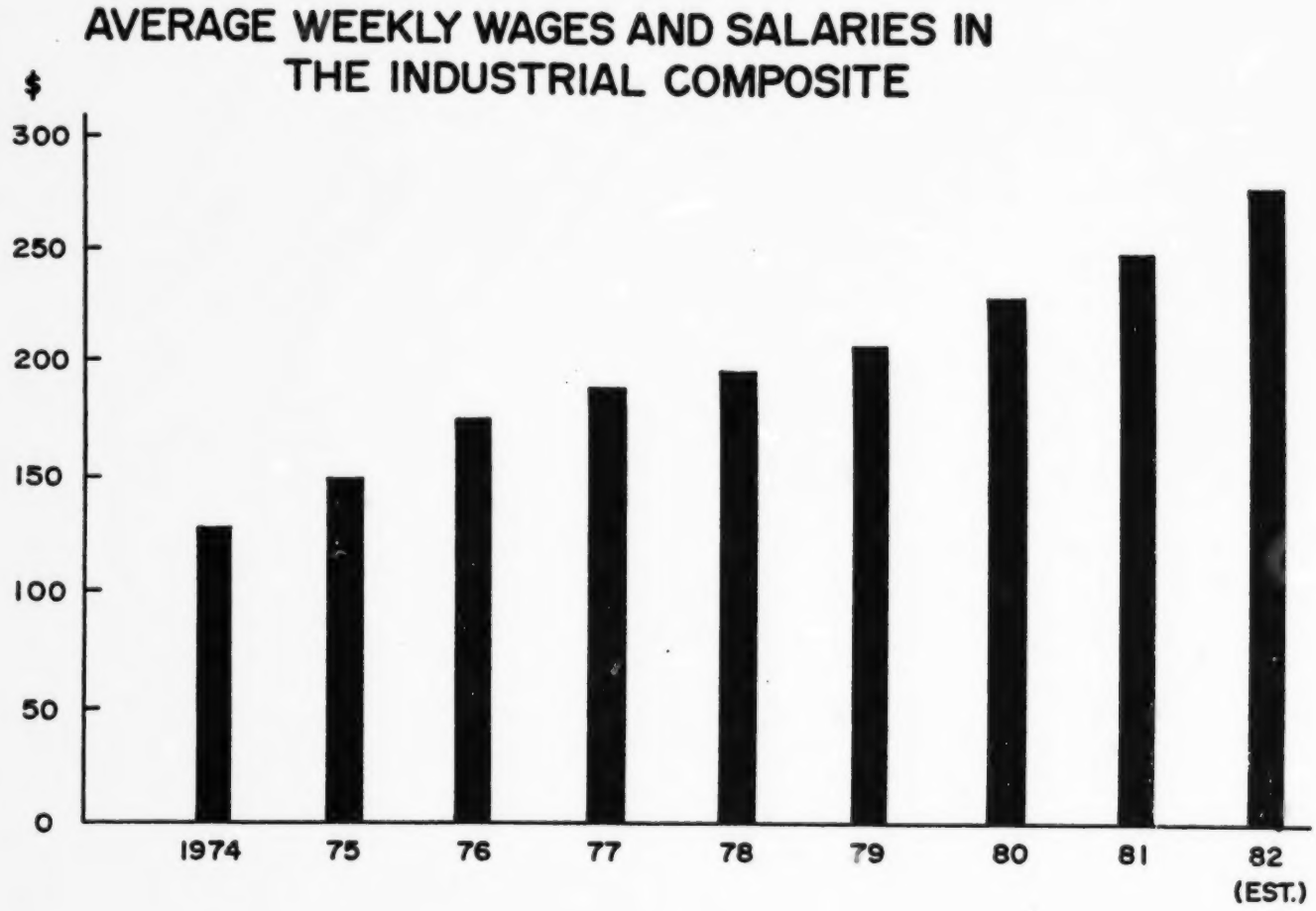
3. Participation Rates

The male participation rate declined to 70.6 per cent in 1982 from 71.4 per cent in 1981 and the female declined to 46.3 per cent from 47.2 per cent. This decline caused the total labour force to shrink from 55,000 in 1981 to 54,000 in 1982.



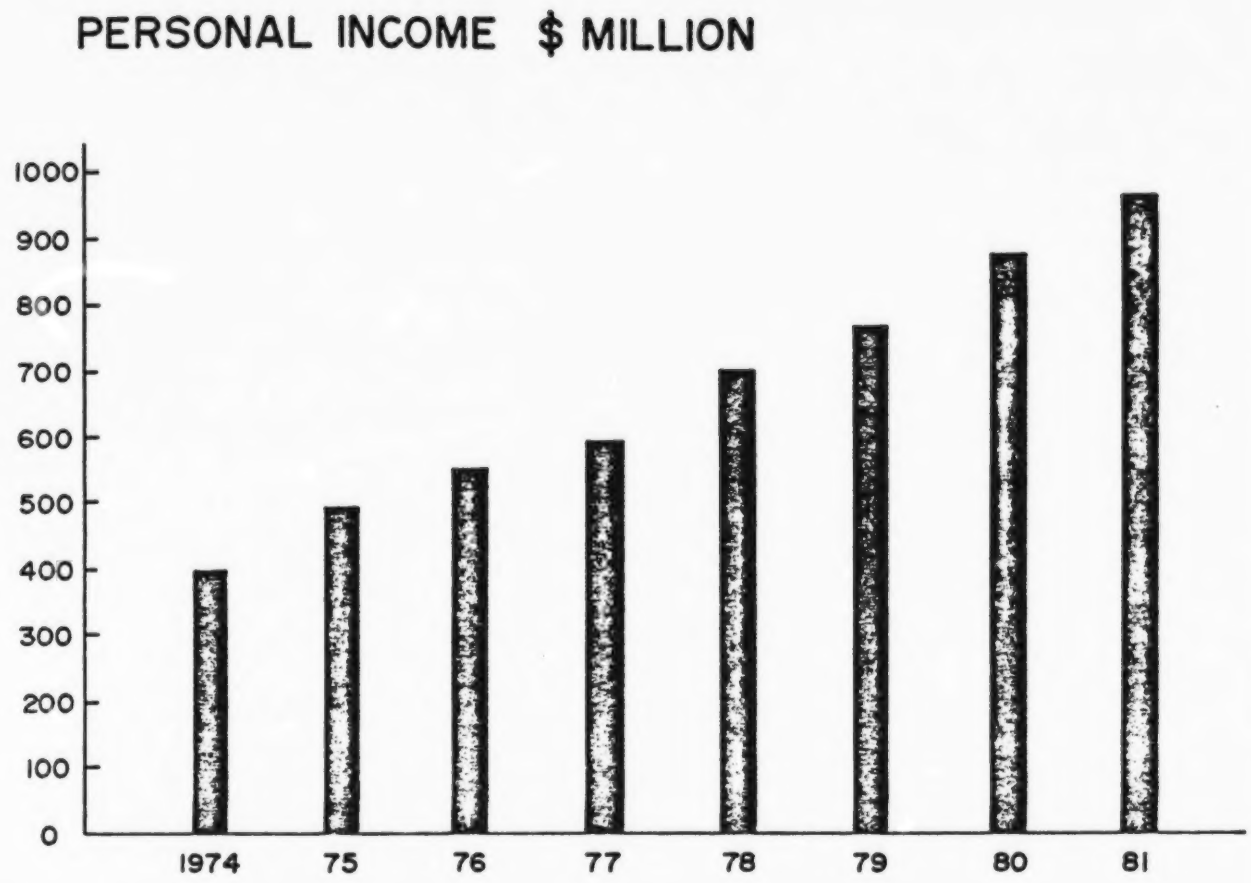
4. Employment by Sector

The service industries include schools, hospitals, restaurants, hotels, entertainment, etc. and they dominate the P.E.I. employment picture with 30.5 per cent of all jobs. Retail and wholesale trade is second with 18.2 per cent, followed by agriculture with 13.3 per cent.



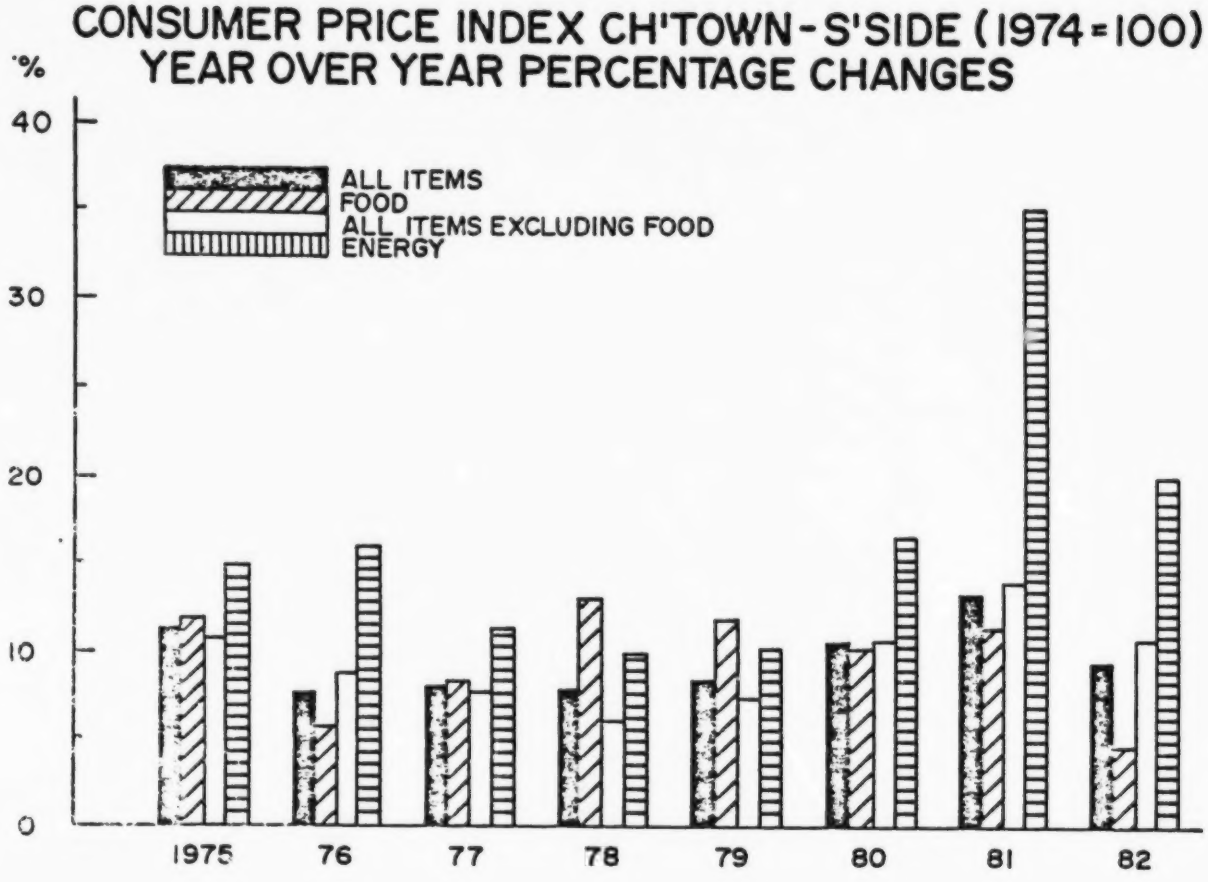
5. Weekly Earnings

P.E.I. weekly wages and salaries for the Industrial Composite are estimated to have averaged $278.06 in 1982, an increase of 11.2 per cent over 1981.



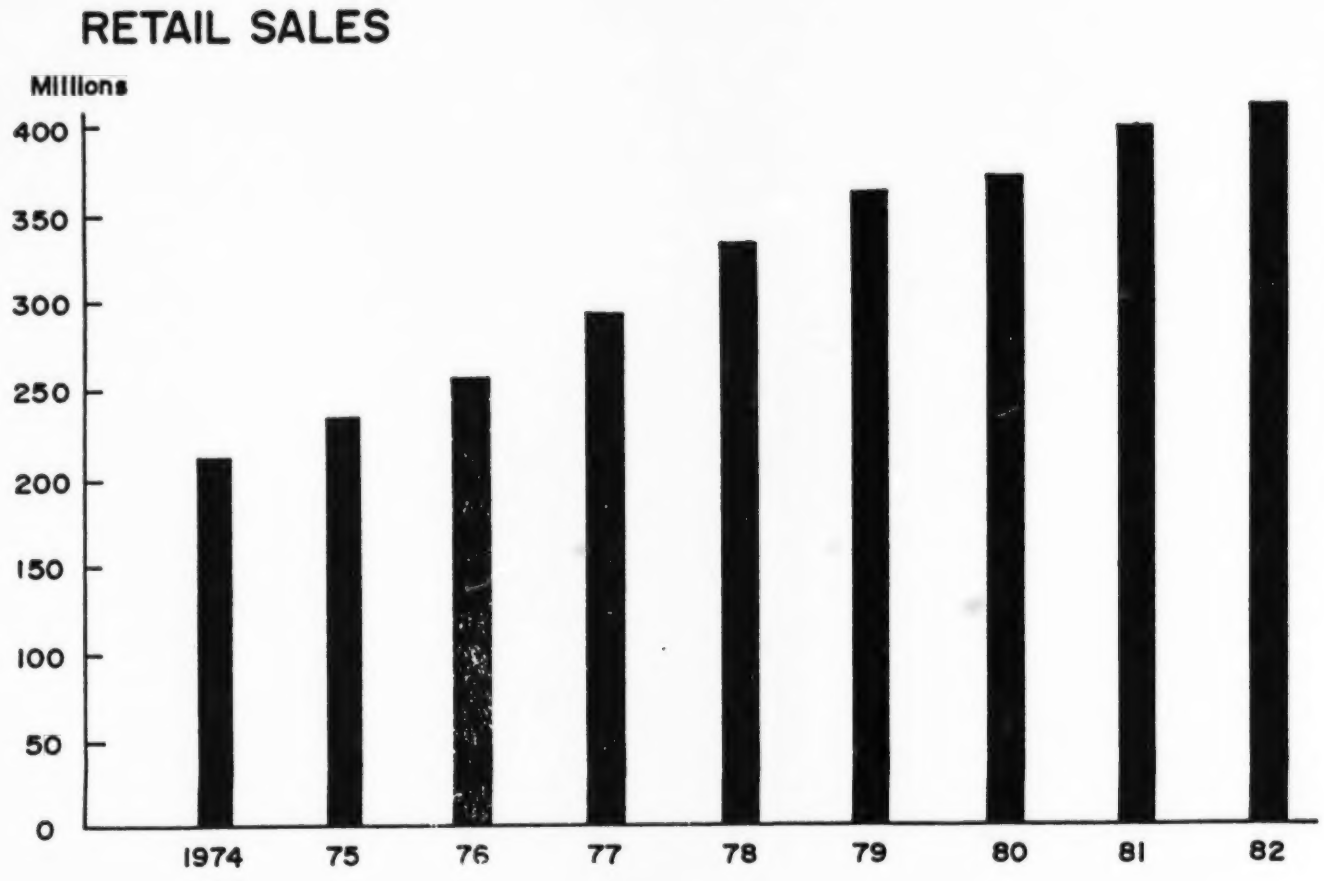
6. Personal Income

The total value of personal income on P.E.I. was $965 million in 1981, or $7,846 per capita. This was 67.4 per cent of the Canadian per capita average.



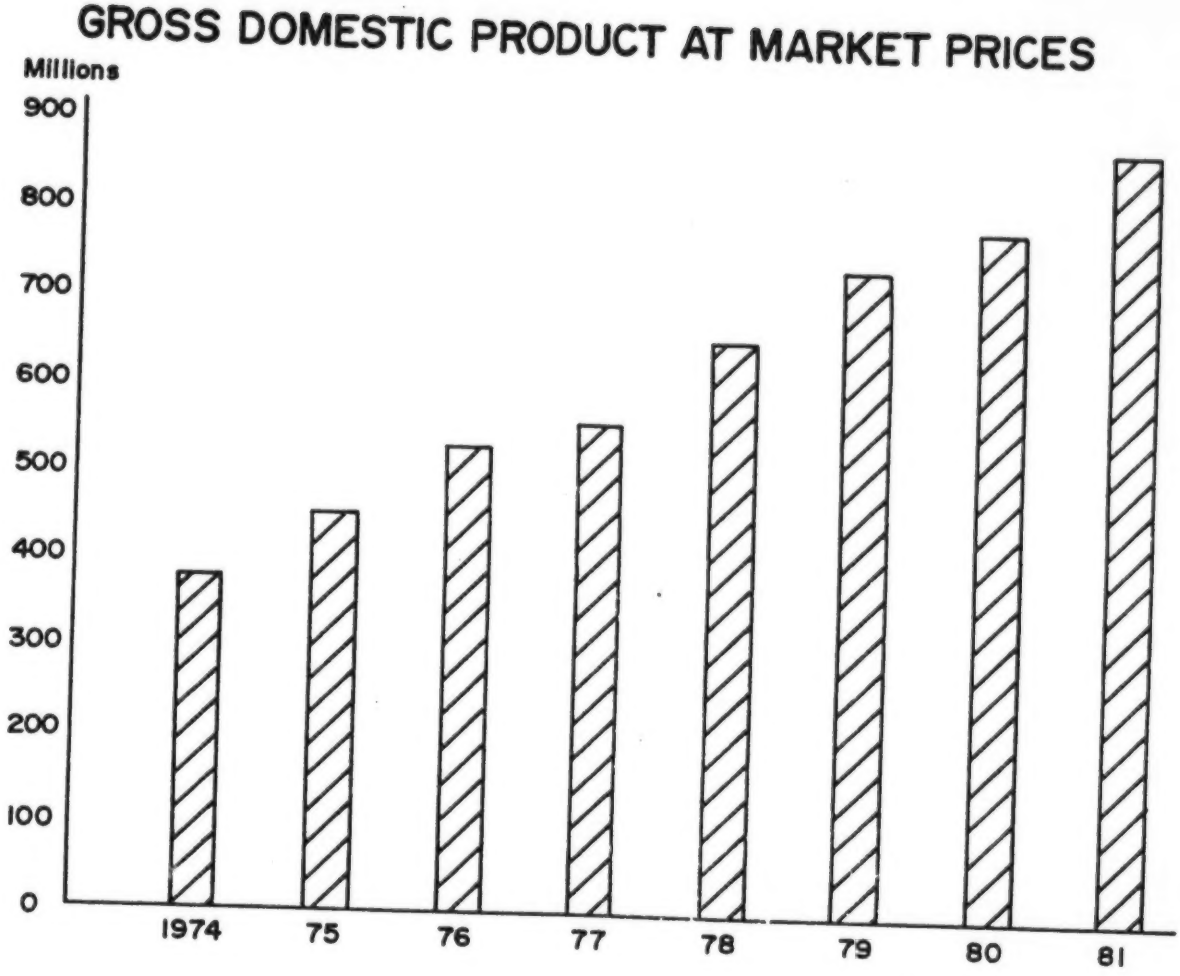
7. Consumer Prices

Prices increased rapidly in 1981 on P.E.I. as energy prices jumped 35.1 per cent that year. The annual increase in consumer prices in 1982 was 9.5 per cent, considerably down from 13.5 per cent in 1981. Food prices increased by only 4.8 per cent in 1982.



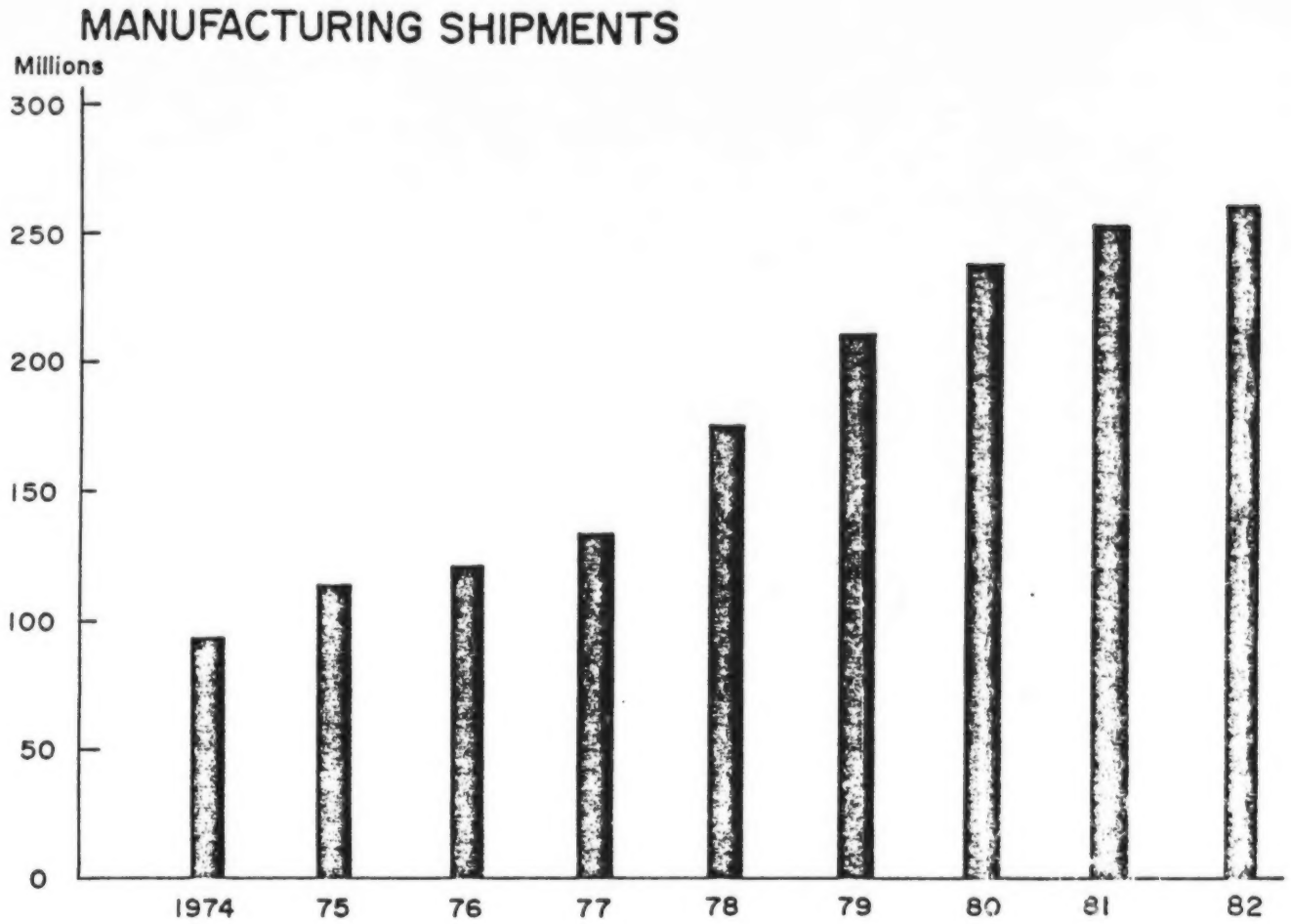
8. Retail Trade

Having expanded rapidly to 1978 retail spending has significantly lagged income growth on P.E.I. since that year. At $412 million in 1982 this represents an increase of only 2.8 per cent from 1981 in current dollars.



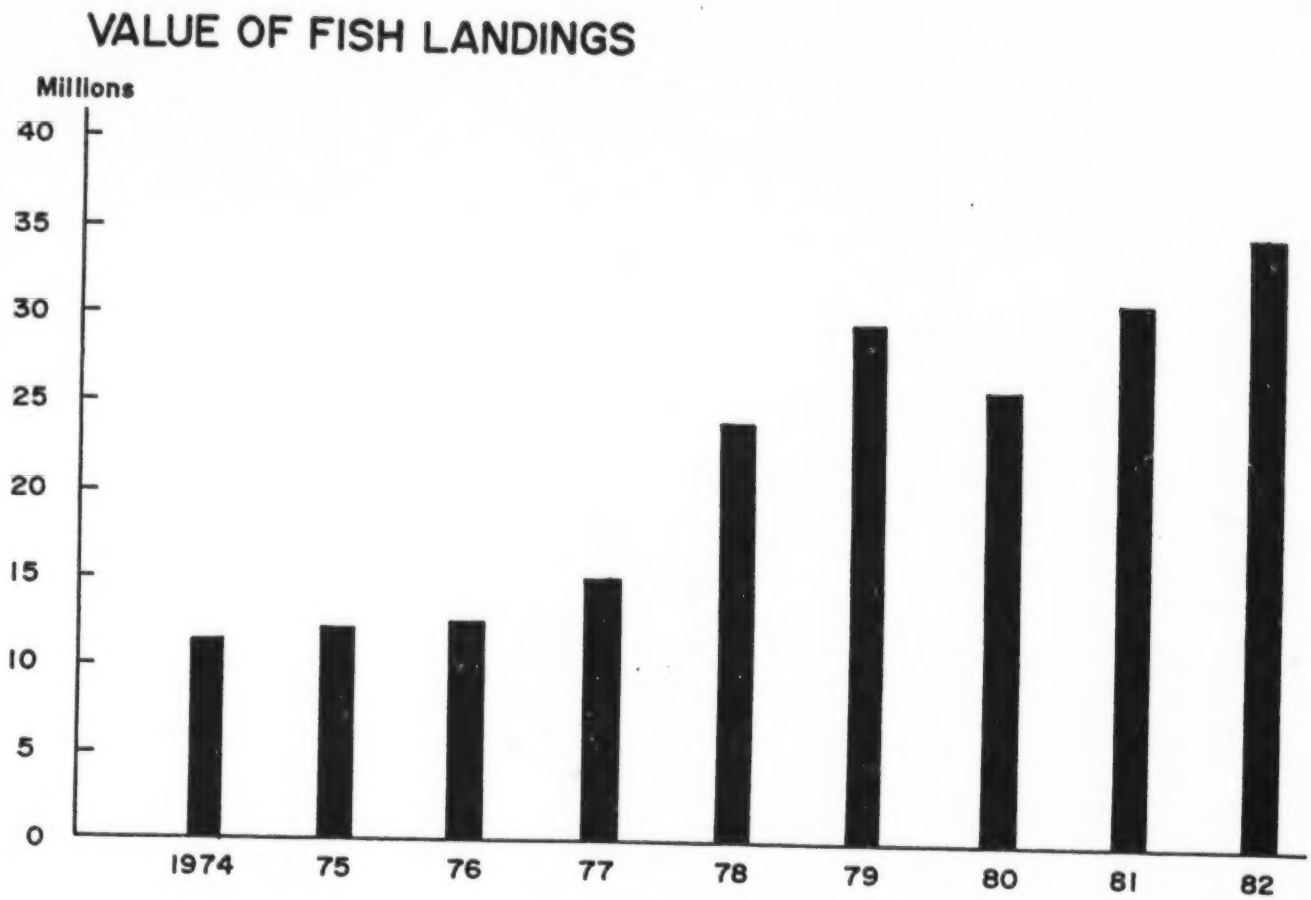
9. Gross Domestic Product

The estimated value for 1981 is $878 million, up by 11.0 per cent from 1980 in current dollars. In constant dollars GDP showed no gains in 1981 mainly because of the slowdown in construction on P.E.I.



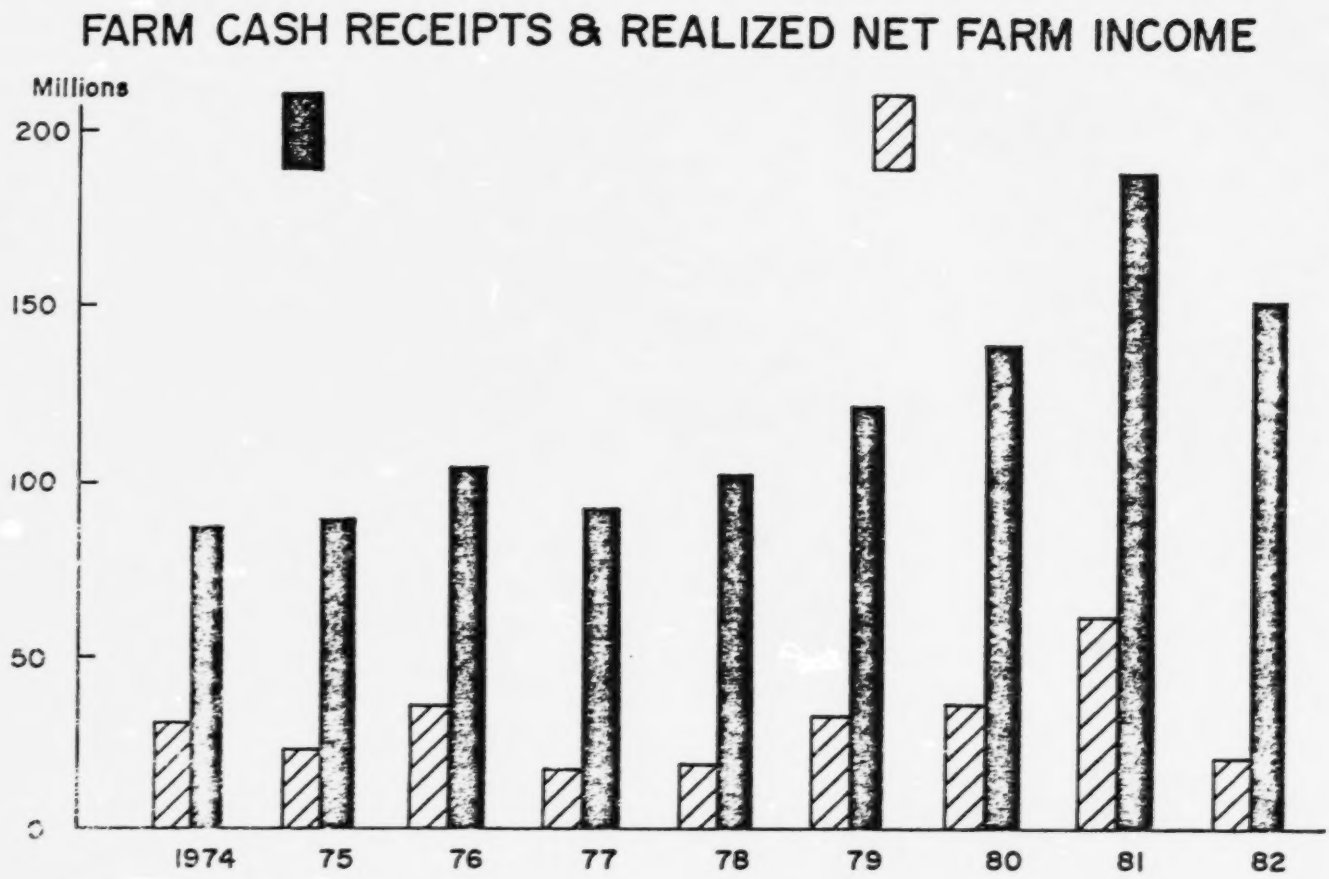
10. Manufacturing Shipments

Manufacturing shipments valued $265 million in 1982, up by only 4.3 per cent from 1981 in current dollars. Production of manufacturing is dominated by Food and Beverages, i.e. processing Island food and fish products.



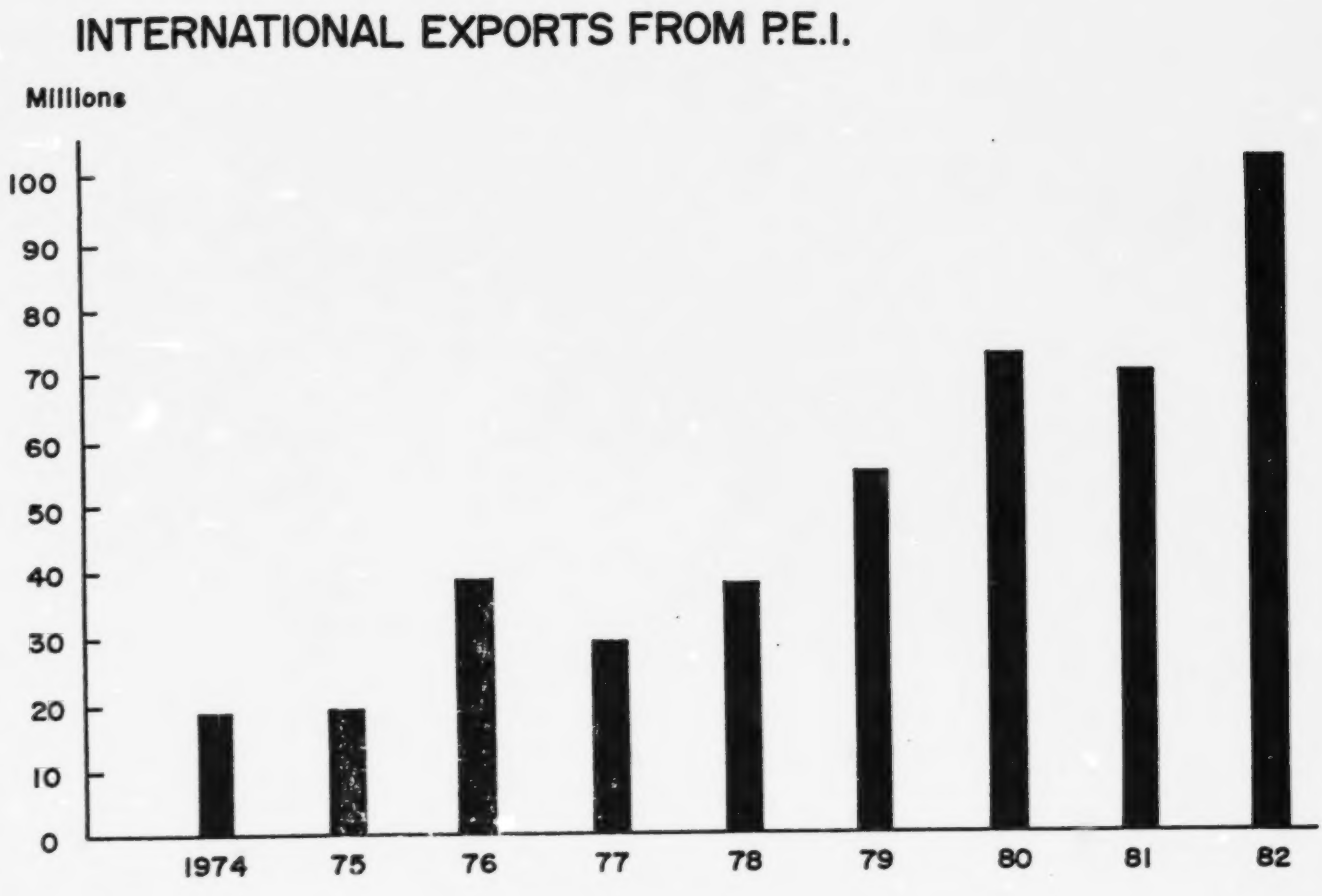
11. Fish Landings

The value of fish landings is estimated at $35.4 million in 1982, up by 11.2 per cent from 1981. Improved lobster prices and a record lobster harvest are the major reasons for this increase.



12. Farm Cash Receipts

The value of farm receipts peaked in 1981 at $186.8 million, which was 34 per cent above the previous year. The estimated value for 1982 is $152.4 million, a significant reduction, in large measure because of the fall in potato prices. Potato sales make up 30 - 40 per cent of total sales. Estimated realized net farm income for 1982 is $22.4 million, representing a major decline from its peak of $63.6 million the previous year.



13. International Exports

Exports from P.E.I. reached an all time peak of $102.8 million in 1982, in view of major shipments of seed potatoes and evaporated milk to various parts of the world.